THE ROLE OF SMALL BUSINESS ASSOCIATIONS IN
BUSINESS ENVIRONMENT REFORM

Paper for Donor Committee for Enterprise Conference
Creating Better Business Environments for Enterprise Development
Bangkok 29th November – 1st December 2006

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1. PREFACE

Limitations

The major limiting factor for this paper has been the lack of analysed data on the impact of programmes and projects that have used SBAs as key institutions to support private sector development in the past and represent them in dialogue with authorities to improve the business environment in particular. This appears to be because:

- Most Programmes that have supported Business Associations or Business Membership Organizations (BMOs) have not disaggregated the data on the basis of size.
- SBAs or BMOs have often been just one element in an integrated programme or project and the data that has been collected -- and the analysis of the programme or project -- have been focussed on other elements of the programme rather than on this particular mechanism.

It is understood that new tools of monitoring and evaluation prepared by the World Bank will collect more data on the role of SMEs as members of BMOs generally and presumably of SBAs in particular.

Sources

This paper draws on the author’s experience working for technical agencies, principally the International Labour Organization (ILO), but also Heartland International (Chicago), to build capacity in Small Business Associations (SBAs), and in developing an ILO Guide and Training materials for SBAs. The main background experience has been with SBAs in Sri Lanka, Vietnam and East Timor, with Women Entrepreneur Associations (WEAs) in Zambia, Tanzania and Ethiopia, and with Employers’ Organizations outreach to SMEs in South East Asia, Africa and Europe.

The author is grateful both to ILO colleagues in Geneva, Hanoi and Colombo for access to past and current project experience and to other members of the Donor Committee, in particular officers from the World Bank, the UK Department for International Development, and the Norwegian and German Government Development agencies, for comment and references on issues of donor policy.

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2. EXECUTIVE SUMMARY

This paper argues that Small Business Associations (SBAs)\(^1\) can play the part of useful partners in improving the business environment by:

- representing to the relevant authorities the obstacles that their member enterprises face and, on their own or with the assistance of other institutions, advocating for appropriate policy, regulatory or infrastructure improvement
- disseminating information and channeling feedback about policy and regulation to their SME members and providing a potentially supportive constituency for the successful implementation of policy and regulation
- encouraging unorganized enterprises into the organized sector by insisting on registration as a condition of SBA membership, but also voicing demand for improvements in public services as the quid pro quo for registration
- representing entrepreneurs who have political deficits based on gender, disability, remote location or other socially disadvantaged sub group identity
- initiating industry standards or resolving industry conflicts internally and so strengthening the private sector without need for government intervention

There has been some ambivalence by donors towards supporting the capacity building of SBAs because of past bad experience and because of theoretical concerns either about special interest groups being fundamentally inimical to overall private sector development goals, or about the relevance to SMEs in developing countries of a Western member-based and large enterprise-oriented model of business solidarity.

Fuller evaluation of SBAs is made more difficult because of a lack of disaggregated data in the literature on Business Membership Organizations (BMOs) which by definition includes – and is often focussed on -- the larger organizations such as Chambers of Commerce and Industry, and Employers Organizations.

However while the widespread inadequacy of many Associations is acknowledged, sufficient examples exist of effective SBA partnerships with the relevant authorities to show their role as vital in strengthening the private sector. It is argued that the more effective their advocacy work, the more effectively also they can work with authorities to improve the enabling environment for businesses.

Donor and technical agencies have identified a greater number of success factors both internal to the Business Membership Organization (BMO) itself and within their cultural, political and economic environment. These factors can help determine the choice of larger BMOs as development partners in their own right and in giving support to SBAs.

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1 A small business association in a particular context may operate as an industrial sector association, professional grouping, artisanal cluster, or even as a dimension of an NGO or community-based organization within a cultural or religious framework.
Current focus on Public Private Dialogue and ongoing experience of Local Economic Development strategies suggest that the issue of capacity building should be addressed with vigour, making use of new tools for training, monitoring and evaluation, and of new “integrated project” experience.

The role of SBAs in Poverty Reduction programmes needs to be explored further both as to opening channels for migration from the unorganized sector / informal economy, and for feeding skills and opportunities back into that sector, perhaps as part of specific industrial sector development projects.

Many SBA capacity building projects should be run at sub-national level, as issues of importance to small -- especially women-led -- enterprises require partnership with municipal government and a focus on local infrastructure and utilities, as well as on regulation and policy. This level is important also for the inclusion -- and developing the entrepreneurship potential – of groups affected by disability, rural or remote location or other forms of social disadvantage.

In addition to current experience and literature this paper proposes three additional elements for supporting Business Membership Organizations:

- Better understanding the HR design requirements for BMOs, taking into account their significant global varieties, but respecting core elements which are common to all, and recognizing that they are hybrid institutions comprising elements of public, private, and community sector organizational cultures.
- Better understanding the institutional ecology which SBAs need to become sustainable particularly their relationship to the BMOs that include larger enterprises but may have a mandate and incentives to support SMEs, and the need simultaneously to build capacity in the authorities with which they transact.
- Better identifying the gaps in communication and co-operation and improving the identification and training for networking facilitators at all levels and the role that consultative events have in leading to representative structures.

Finally any management system for business environment reform should include a broad scan of the small enterprise sectors, the “borders” between them and the unorganized micro enterprise sectors, the existence of access deficits (based on gender, disability, ethnicity, rural or other social disadvantages) and the localities in which the best critical combinations of appropriate industrial sectors, national and sub-national government agencies, BMOs and other support institutions can be found.

Properly resourced, with flexible but disciplined incentives and accountability benchmarks, this may permit the development of further sectoral or sub-national models of business environment reform. However the nature and pace of development must always take into account the requirements and dynamics of local cultures and the unintended limitations of bureaucratic and occasionally ethnocentric procedures of donors and technical agencies.
3. ASSUMPTIONS

Business Membership Organization and Small Business Association

In this paper a Small Business Association (SBA) is seen as a subset of the category of Business Membership Organizations (BMOs). The former has, as members, small entrepreneurs, however “small” -- and “micro” and “medium”-- are defined in the particular society and economy. The latter includes larger enterprises, though this definition (of BMO) is silent on whether SMEs are included or excluded (by design or circumstance) as members.

Within the categories of enterprises covered by both SBAs and BMOs there may also be further subsets, for example those based on particular interests such as gender, ethnicity or geographical location. Importantly also many smaller enterprises may prefer to associate in sector, industry, technical and professional associations rather than in associations with the more generic definition of “business”. It is important that there are appropriate institutional arrangements for involving these groupings in public private dialogue on business environment, and part of that will be to build wider business skills and information onto the technical skills and information of their trade.

Enabling Environment

A useful definition is as follows: “The enabling environment is a broad concept and on the widest definition can comprise all factors external to firms, including the policy, legal and regulatory framework; external trade policy; governance and institutions; physical security; the social and cultural context of business; macroeconomic policies; access of firms to financial and business services; and the availability of physical and social infrastructure services”.

Focus on enabling business environment from the perspective of small enterprises may well be different from the priorities of BMOs representing principally the interests of larger enterprises. Small enterprises are concerned with access to a place to trade, and may be more dependent on public utilities for basic resources of electricity and other fuels, water, transport access, security, health, and other social needs. As mentioned, many of the concerns of small enterprises may be handled by sub-national authorities, which may not be seen as priority targets for the lobbying activities of existing national BMOs. This is an area where more data is needed.

Public Private Dialogue

The emphasis on the Private Sector as being the key to developing the Private sector (through the development of BDS markets) has been moderated most recently by a

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2 “Business Membership Organizations (BMOs) --- generally refer to various organizations where companies or individual entrepreneurs are members. The term BMOs include business associations, chambers of commerce, federation of business associations, employers’ clubs, private sector forums, etcetera.” Building the Capacity of Business Membership Organizations World Bank 2005 page 6

3 Broad definition identified in Review Of DfID Activities In The Enabling Environment Final Report Investment, Competition and Enabling Environment Team Policy Division with Simon White and Peter Fortune December 2004 page 4 This report itself followed a more restrictive definition.
better understanding that markets need governments. Partnerships or at least dialogue\(^4\) between key actors in both the private and public sectors are essential for the income generation of the vast majority of citizens in each country: i.e. by micro small and medium enterprises.

**BMO and SBA Advocacy and Business Environment Reform**

Advocacy by SMEs through SBAs, -- or through larger BMOs -- that brings about results in terms of business-friendly regulatory change can normally be regarded as a successful exercise in Business Environment reform. It is made doubly so, if as a result of this dialogue the regulatory authorities are able to use the SBA or BMO as an intermediary agency to disseminate information about regulatory or policy changes and win acceptance for them. In an ideal world the goals of the regulatory authority and the enterprises would be aligned to remove obstacles to enhanced economic activity and so strengthen the private sector. This is the desirable outcome of SBA and BMO capacity building: creating or reinforcing an institutional framework for public private dialogue to achieve a stronger enterprise economy.

However goals may not always be aligned. Business associations may seek to protect their members from regulations which are beneficial to the private sector as a whole, for example to maintain an existing cartel, avoid paying appropriate taxes or observing workplace standards designed to improve the productivity, health and safety of employees. The design of capacity building programmes for SBAs therefore should ensure that there is a mechanism available to view the overall good of the private sector and provide a policy framework broader than the concerns of the BMOs and those of the specific regulatory agency or department. While concern exists about SBAs representing only narrow special interests, the answer would seem not to avoid supporting such groups but rather to support even more of them. The general interest in a particular area usually arises from the sum total of -- and from the healthy interplay between -- all the special interests.

**SBAs and Micro Enterprises**

One of the significant contributions that SBAs can make is encouraging migration from the unorganized (informal) to the organized (formal) economy. Steps should be taken to ensure that the needs of micro-entrepreneurs are interpreted to the authorities, if not through representative organizations then through community based organizations such as NGOs. SBAs that require members to be registered businesses are well situated to advocate for the changes in policy and implementation – changes which will need to provide sufficient incentives rather than the usual disincentives for migration from the informal to the formal economy. This also underlines the need for an umbrella mechanism broader than the individual regulatory authorities themselves which continually appraises the disincentives in existing regulatory practice that prevent this migration.

\(^4\) Public Private Partnerships (PPPs) have emerged as some of the most powerful vehicles to conduct dialogue between the public and the private sector with the ultimate goal of fostering policy reforms to improve the business environment in developing countries. The most effective way of creating (a Public Private Partnership) will depend on the social, political and economic context of the particular country. One of the most common forms used is to engage with an existing BMO in order to pursue the implementation of policy reforms through policy advocacy fostering public-private dialogue." (Building the Capacity of Business Membership Organizations World Bank 2005 page 11)
WHY USE BMOs TO SUPPORT SMES IN DEVELOPING COUNTRIES?

The private sector in many developing countries exhibits a dual structure – a few large, modern, capital- as well as import-intensive enterprises on one end of the spectrum and a majority of micro and small enterprises serving local markets with simple and traditional technologies on the other.

It is evident that SMEs cannot fulfill their potential role because of the various bottleneck factors, which include resource endowments, economies of scale, demand conditions, market size, as well as availability of technology and suitable institutions.

Through the formation of BMOs, SMEs can address these problems related to their size and improve their competitive position. It is also recognized that BMOs represent an increasingly important form of participatory development in developing countries. They can make a major contribution to the improvement of the environment SMEs operate in by serving as a vehicle for the expression of their views, taking collective action, delivering core services, and networking among members and other stakeholders. (p13)

A critical assumption throughout this Guide is that BMOs offer a unique combination of strengths. They can influence the policy framework by giving firms (particularly SMEs) a collective voice. They can also deliver or facilitate selected services (including delegated government functions).

Although BMOs are not the most effective provider of all Business Development Services (BDS), they have a comparative advantage in certain services (e.g., group insurance policies) and act as an effective facilitator for the rest.

Assuming that the main development goal is to support the growth of SMEs, the complementariness of interests between the donor and the BMO can only be taken for granted, when the membership of the prospective BMO is dominated by the intended target group (e.g., SMEs).

However, there are few such “ideal” (SME dominated) BMOs in developing countries, and they are often small, locally oriented, and unstable. As a consequence, these organizations have only limited political influence and capacity to offer quality services to their members. With more established and larger BMOs, a clash of interests is more likely to occur, since they typically articulate the interests of large businesses. Therefore, cooperation with these organizations should concentrate on areas in which potential conflicts of interests can be minimized or in areas that address the specific needs of the smaller members of the BMO. Another possible strategy may involve the establishment of a dedicated subcommittee for SMEs within the BMO, which may function as a focus to represent the interests of the smaller members. (p 23)

There are certain structural features, which determine the level of ownership, control, transparency, and accountability of a BMO. At least theoretically, most BMOs have a democratic structure, which ensures the participation and ownership of their members. In practice, however, structures may not work as intended. One possibility is that a few influential members (or the president) use the association to serve their private interests. Excessive government influence on the operations and staffing of a BMO can also be problematic. In both cases, BMOs will not be able to act as authentic representatives of their SME members.

(Building the Capacity of Business Membership Organizations World Bank 2005
Extracts: pages 19-23)
4. HOW CAN SMES BE ORGANIZED EFFECTIVELY?

4.1 Through existing Business Member Organizations

An early question has to be whether the influence that SMEs may exert on government and other authorities to improve the business environment is best channelled through existing Business Member Organizations (BMOs) that include larger enterprises or whether they should form their own associations to do so. The answer to this question will differ from country to country.

Apart from the usual issue of clarifying in each country how an SME is defined or regarded, it will depend on the level of government where the authorities that need to be influenced on a particular issue are located. For many of the concerns of SMEs these are likely to be at the local or municipal level. For others e.g. taxes, access to business finance, licences to operate, or property issues, the ultimate decision-makers may be further away in the provincial centre or capital city.

In some countries e.g. Singapore, itself a very small country without any observable informal economy, the size of SMEs is not an obstacle to membership in national peak bodies such as the Singapore Business Federation, which provides services that are accessible to enterprises with limited time and resources at the same time as it provides them sometimes in a different packaging to larger enterprises. Hence separate SME Associations are not needed.

A key question for both the major (usually national) BMO’s and for the SMEs themselves is whether they should join the BMO directly or create their own SBA and whether this SBA should operate in some way within the BMO, find a looser form of partnership or operate completely outside of it. There is also the argument whether the services to SMEs are exactly the same as those provided for other BMO members or whether they differ both in kind (because SMEs lack many of the skills that larger enterprises can source in-house) and in degree (different packaging of services is needed to take into account the difficulties of SME owners taking time away from their business or needing services pitched to a lower level of education, background or awareness).

A 2004 IOE (International Organization of Employers) study by the author of how Employers Organizations (EOs) in seven countries structured their SME membership found five different choices which reflected the composition of the membership of these BMOs, the political culture of their countries, and the presence of other competing or complementary agencies.

1. Make no distinction between SMEs and other members and provide the same services to all members. (Singapore)
2. Make no structural distinction between SMEs and other members but provide special services for SME members (Philippines)

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5 Though some would say in the particular circumstances of Singapore that the various ethnic Chambers of Commerce answer some of that need.
3. Make no distinction between SMEs and other members but structure the EO as a Confederation, so that members join their sector federation, which depending on the sector, may have a wholly SME membership (Mauritania).

4. Structure EO as Confederation and structure an SME federation as one of the constituent Federations, but exclude informal SMEs from membership (Senegal).

5. Structure one of the constituent federations (the Association of Small Scale Industries) as also representing the informal sector. (Ghana).

6. Structure a women entrepreneur federation to allow a further choice for women entrepreneurs (Senegal).

7. Structure a separate organization for SMEs “within” the EO, owned and paid for by the EO, but with separate membership, staff, and profile. [SME members choose between a full service membership in the EO and a “no frills” membership for a third of the price. Key difference is the individual HR/IR advisory service provided in the full service] (Ireland)

Many of the solutions to these issues are again determined by how the private sector in each country is structured between large medium small and micro enterprises and the strength of existing systems of delivering resources to each size band. The legislative framework is also relevant. The “continental model” of Chambers of Commerce compels all registered businesses small or large to join the Chamber. The channels to influence government are already laid down in legislation (though this gives less independence and flexibility for the business community to effect change).

There are also issues of organizational and sectoral culture which explain whether it is easy for SMEs to relate -- directly or indirectly -- to a BMO. On the one hand a national BMO can bring to SMEs enormous resources, networks and a powerful voice to Government.

But the SMEs may (justifiably or not depending on particular histories) have the perception that there will be conflict of interests between larger and smaller members of the BMO and that the BMO voice will not be exercised adequately on their behalf. They may believe that the BMO’s services will not be made available except in packages and prices that are not accessible to them, or finally that the system by which they are represented within the organization will be inadequate to contribute their particular viewpoint.

In countries where there is considerable disparity in size and wealth or where influence with government is perceived to be in the hands of a small aristocracy of power, then a culture of “us” and “them” may influence the decision whether or not SMEs will link up with a large national BMO that may be seen to be on “their” side.

On the larger BMO side, distrust towards SME membership is usually on a question of cost: that services to SMEs require more resources but the income from SMEs is considerably less. There is therefore a standard negative prejudice that SMEs are “free loaders”. They will benefit from the reforms that BMOs achieve but will not contribute to the costs of achieving them.

There can however also be a fear that if SMEs with donor support organize themselves into SBAs and eventually create their own national SBA federations, the
traditional role of the BMO as the voice of the private sector will be undermined. That element of self-preservation as well as the longer-term outlook that helping growth oriented SMEs increase in strength will eventually produce a new generation of members of the BMO – may motivate the BMO to provide services to SMEs, or corral the SBA within the BMO structure.

“Thus far, however, BMO structures in many developing countries are of very limited use for SME development. On the one hand, numerous organizations are willing to act as chambers, federations or business associations, but they are also wasting resources by competing with each other and are too weak and unstable to represent SMEs effectively. The established larger BMOs, on the other hand, are often dominated by large-scale enterprises because they are easier to organize and bring in more economic power and political influence”.

(Building the Capacity of Business Membership Organizations World Bank 2005 page 54)

### 4.2 Through Non-BMO structures

SMEs might look for solidarity based services and representation outside of larger formal BMOs. If they are able to articulate a need of this kind, to whom would they naturally first turn to have it answered? The choice may depend on the political history and cultural priorities of a country.

1. In many parts of Asia business support and representation are answered through family arrangements and marriage alliances, or through commercial arrangements carried out within an ethnic, cultural or religious group. This is an aspect of accessing “embedded BDS”. Formal BMOs will often also depend on these affiliations for their wider influence.

2. In countries where there has been a command economy or strong central government control (including those countries where in terms of governance culture and popular expectation the government has stepped into the shoes of a former colonial government) the attitude particularly in the informal sector may still be that business services and support are “something the Government does”\(^6\). Governments have a role in changing these perceptions.

3. Finally “business” as we use the word is a facet of economic activity which is abstracted from the concrete reality in which most people do business. While the international development community may see someone as a micro-entrepreneur, the person in question may see herself simply as a farmer’s wife

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\(^6\) The author worked between 2002 and 2004 in East Timor building a small business association in Manatuto and despite emphasizing this was a skills transfer project without any financial handouts or even loans, it took about 12 months before participants stopped asking in effect, “O.K. when we have finished all this, when do you give us the money?”. In the same country in 2003 a two-day course on basic business awareness was boycotted by several villages because lunch was not provided. Apparently the Indonesian army whenever it had something relating to economic activity (e.g. with respect to agricultural production) to inform the villages would pay for transport and a large lunch (and often an attendance fee). Packaged in this way “business” was therefore seen as something that the Government (by this time UNTAET) wanted from them and therefore should pay for.
who does what she has always done: take what her husband and family produce off the land and sell it at the local market. Perhaps she “value adds” by processing this produce in some way. Her cousin in the provincial town may make and sell furniture, or repair footwear and see himself as a furniture maker or shoe-repairer and not as an entrepreneur. He may therefore feel more at home in a sector or trade-based organization\(^7\). Existing systems and networks such as women’s welfare associations, or artisan clusters could be identified as interim proxies and potential foundations for SBAs.

Donor and technical interventions could be enhanced by understanding these non-BMO structures, working with their leaders to enhance their own structures in the direction of representation on business development concerns or in creating awareness of the value of joining or forming over time more formal SBA structures.

4.3 Through direct capacity building of SBAs

4.3.1 New Tools

There is now a range of experience in building capacity in SBAs. For example, the ILO has a number of programmes for SBAs including Women Entrepreneur Associations in Africa and Small Business Associations in Vietnam and Sri Lanka, work with both Employers Organizations and Trade Unions in developing associations of small entrepreneurs or representing their interests.

Tools have been prepared that can help both the SBA and the support agencies assess capacity in an SBA and monitor its growth -- or decline\(^8\).

A further example is the tools developed by the World Bank\(^9\) for Project Managers in association with SEQUA, and the Danish and Canadian Business Federations. These include among other things: How to select of appropriate candidates for BMO capacity building programmes and how to support the services and advocacy resources they need to strengthen and represent their members. The World Bank Manual contains sensible advice on the realism that needs to temper the search for ideal conditions. These changes take time; imperfect partners may have to be lived with for a period.

These tools are of a high quality and inevitably become the reference point for discussion on the theme of this paper. However there are some issues that may need further work.

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\(^7\) Indeed this was where the ancestors of most Western entrepreneurs felt at home in their time: namely the European craft-guilds which underpinned the development of the private sectors of the West for most of the centuries of their development.

\(^8\) Refer ILO SBA Capacity Indicators Appendix IV.

\(^9\) In the two editions 2003 and 2005 of Building the Capacity of Business Membership Organizations World Bank 2005 quoted extensively in this paper.
4.3.2 Further Issues

1. The Tools in Practice

Currently there is little available information about how these tools are being used in practice and the quantity and quality of their impact. The impact and evaluation tools already prepared will undoubtedly be used over time and give us more data particularly on SMEs.

2. Sticks and Carrots

There is also less guidance on what sticks and carrots are needed and within what time frame for a BMO to demonstrate that they are making significant steps towards mutually agreed goals of competence and sustainability. Longer term funding is clearly necessary to achieve long term institution building and attitude change, but clarity is needed as to the milestones that need to be met and the consequences of meeting or not meeting them.

3. Capacity Building the support agencies and the Government partners

Some -- but probably not enough -- of these interventions also include training programmes and capacity development strategies for the SBA support agencies themselves, some of which will be government bodies but many will be training institutes, NGOs, higher level federations etc. SBAs themselves are -- or have the capacity to be --- key links in value chains, which themselves are the subject of recent tools and manuals for development practitioners.

Behind every value chain there is a potential “support chain”. Donors could usefully ensure that capacity building in both value chain support and SBA-BMO strengthening is provided for agencies that are the links in the support chain. It is also the author’s view that the public authorities need as much training as the BMOs in how to enter into public private dialogue and how to respond and work with business advocacy groups. It is important for BMOs (and indeed for the authorities) to have victories -- even small ones -- and skills are needed on both sides of the dialogue for these victories to be won and won-won.

4. Relationship between Service and Advocacy Functions

The interrelationships between advocacy (rights based model) and service delivery (BDS model) can not always clear: an BMO fighting and winning for SME rights gains credibility which attracts members and increases the critical mass of service demand, while reliable service delivery equips a BMO with the knowledge and the “numbers” to fight and win advocacy campaigns. The assumption in this paper is that both elements must be strengthened if the BMO is to make a significant contribution to Business Environment Reform.

10 “Financial sustainability can be defined in this context as a BMO’s ability to cover its operating expenses as well as to finance a gradual expansion of activities without being overly dependent on external sources of finance, e.g., wealthy members, government bodies, or donors”. Op. cit. Note page 25
5. The Human Resource (HR) Structure of BMOs

Acknowledgement is made in the different tools of the vast range of environments in which BMOs operate and the range of institutional and legal forms that they take in diverse countries. However what may be missing is an understanding of the elements that are common to a functioning BMO across all -- or a majority - of countries, cultures and jurisdictions, in particular the HR definitions and understanding of organizational culture that are necessary for a BMO to develop.

It is precisely because the BMO is a hybrid system – part private sector, part public sector, part community\textsuperscript{11} sector, that the HR element is particularly difficult. It is not uncommon for staff in some countries to be recruited from the public service (to assist in liaison with the relevant government departments) and bring with them a public sector organizational culture which may then help or hinder them in managing the BMO services on a commercial basis.

This is not merely a matter of defining job descriptions -- though this continues to be a frequent problem particularly with defining job descriptions for members (all members that is, not just senior office holders) of the governing board / committee / council. It is a matter of defining the competencies that are required and being able to successfully recruit for these competencies.

Underlying this is the all important factor of having the funding necessary to buy in from the accessible labour market the “sine qua non” competencies needed for effective BMO management. A BMO will often be weak and even prone to mismanagement and corruption if it can only afford to put a level 2 manager into a level 4 managerial position.\textsuperscript{12}

If it is a public good that a healthy private sector -- and incidentally a healthy democracy -- have efficient and effective member-driven business institutions, then a BMO development strategy may need to include applying public resources (funding) to the staffing and leadership development that within a defined period of time will build an organization that is credible both to SMEs and to the authorities. The outcome of such interventions should be the critical mass of services and membership that permits the BMO to attract and retain the quality of staff and leadership necessary for sustainability. And the project management strategy needs to include the sticks and carrots of accountability and investment return and time frame mentioned above.

This may also address the seemingly unanswerable issue of free riders. It is unlikely that outside something like the Continental Model of Chambers of Commerce (where all members can be “taxed” through membership fees) those SMEs that will benefit from business environment reform achieved by the advocacy of a private law BMO model can be forced to pay for it, except through the taxes that they must pay and may see the point of paying if a business enabling environment is achieved.

\textsuperscript{11} Sometimes also called “not-for-profit” or “third” sector.

\textsuperscript{12} These issues are well analysed by Brian Dive the former HR Director for Unilever The Healthy Organization: A Revolutionary Approach to People and Management Brian Dive, Kogan Page, 2002. The notion of competency levels is usually demonstrated with reference to the factory workplace: A Level One worker on the assembly line can carry out practical tasks; Level Two can carry out supervisory functions; Level Three can manage a production unit; Level Four can undertake marketing and planning.
Choosing BMOs as partners

The ideal partner for BMO development projects combines the following characteristics: a high number and extensive coverage of dedicated members primarily from the SME community, a committed and visionary leadership, a democratic and efficient governance structure, sufficient financial, personnel and physical resources, and high-quality services and advocacy.

Using tools for BMO selection based on these criteria provides a framework of a more structured decision-making process for partner selection. However, it is important to remember that only few real-life BMOs conform to ideal standards – and that it is necessary to remain open-minded and flexible while choosing partners. (Page 10)

BMOs as BDS providers

It can be argued that BMOs have competitive advantages in the facilitation or provision of certain business development services and that those BMOs and commercial service providers complement rather than compete with each other. However, most BMOs in developing countries only offer a limited range of low-level services because they lack the financial and human resources as well as the know-how needed to upgrade and diversify their service portfolio.

Membership services can be classified into trade and market development, training, advice and consulting, information and networking, office facilities and infrastructure services, and delegated government functions.

The present capabilities and experiences of BMOs, the competition and demand in service markets, the necessary financial and personnel resources, and the potential short and long-term benefits will influence the composition of a BMO’s service portfolio. The chosen area and method of service provision will also influence the scope of donor intervention.

Donor interventions are most helpful during the pre- and post-delivery phases of a service transaction. Possible support measures include planning workshops and focus group meetings, staff training, seed financing, and commissioning background surveys and evaluation reports. (page 10)

BMOs as Advocates

Lobbying and advocacy for a more conducive economic environment are another core activity of BMOs. By actively engaging in advocacy, a BMO raises its profile among policymakers and enhances its reputation within the business community. But most BMOs are not very successful in interest representation and advocacy, because of the interference and mistrust of government bodies, the political ambitions or closed shop mentality of the BMOs’ leaders, missing know-how and contacts, the fragmentation of private sector interests, and a prevalent informal and ad-hoc style of lobbying.

The most important ways for BMOs to influence the policy-making process are by using dialogue platforms, direct advocacy, grassroots campaigns, public relations, and lawsuits. Since policymaking is a complex, multilevel process, these activities have to be used in combination to have a significant impact.
5. IMPACT OF SBAs ON BUSINESS ENVIRONMENT REFORM

Because of the lack of SME disaggregated data discussed at the outset of this paper it is difficult to assess the impact of SBAs or of larger BMOs on SME-friendly business environment reform. This paper has attempted to collect a number of examples of SBAs for recent cases in Sri Lanka and Nepal (refer Appendix I and II), and also attaches examples of from the work of CIPE with larger BMOs.

A few patterns in these examples include the fact that Associations often arise or are galvanized into action as the result of imposition of taxes by Governments that have often not been apprised of the negative impact on small enterprises. Some associations will then evaporate once the particular tax campaign has come to an end. Others will stay to fight other battles.

The ability of the SMEs to get a favourable outcome is dependent on a range of factors, the influence of individual leaders, the ability to persuade an existing national BMO to support or act on their behalf, and the general credibility of the trade or the association representing that trade. This latter has forced a number of organizations first to tackle the ethical and service standards of their members. By lifting public trust in their trade, the association gains leverage in its negotiations with Government.


While half of the respondents feel that their organization has a very strong influence on business-related issues in their community and region, the other half perceive that they have little or no local influence. Most respondents stated that their organization had an increase in public profile or lobbying activities during the last two years.

Many associations have regular meetings with local authorities, but 9 out of the 24 did not meet regularly with any local authorities over the last two years. The local authority most commonly met is the Divisional Secretariat (DS).

Only half of the surveyed SBAs are fully satisfied with their relations with local authorities. Moreover, only 9 SBAs consider that their relations with local authorities have improved over the last two years.

The main topics SBAs would like to discuss with local authorities are related to their own activities and how local authorities can assist them, either technically or financially. Rules and regulations, including tax and land issues, are also important subjects for SBAs to discuss with local authorities.

\[13\] See for example the Sri Lankan Tri-Wheeler Taxi Drivers Welfare Association Appendix I. Women Entrepreneur Associations in Sri Lanka and in parts of Africa have had to reinforce an image of professionalism for their members and dispel a misplaced notion in parts of the public that beauticians were somehow connected with massage parlours.

\[14\] A collection of the responses on which this summary is based is found in Appendix II.
**CASE STUDY: BUSINESS ENVIRONMENT REFORM IN MONTENEGRO**

To improve the policy impact of associations in Montenegro, the Center for International Private Enterprise (CIPE) worked with the local business community to establish the Montenegro Business Alliance (MBA).

Originally an ad hoc coalition of associations and individual entrepreneurs, CIPE’s assistance helped the group establish a volunteer-based governance structure that has transformed it into a registered and functioning business association. Since the organizational meeting of the MBA in September 2001 with ten members, the MBA has grown to over 350 dues-paying members.

MBA mobilized the business community around its National Business Agenda. This was the first time many business people in Montenegro had ever expressed their views publicly. The Agenda, called “Agenda for Higher Economic Freedom” consists of seven challenges that will help shape the future of Montenegro. These challenges are:

1. Decrease the overall payments (taxes and contributions) on wages;
2. Decrease taxes and improve tax laws and regulations;
3. Decrease state bureaucracy and business barriers;
4. Promote better conditions for doing business in the tourism sector;
5. Promote conditions for doing business in the wood-processing sector;
6. Increase economic freedoms through:
   - Support of the customs rules, which will increase competition;
   - Support for the rule of law;
   - Reduction of the informal economy;
7. Ensure the stable sources of electric energy for the future.

Through the agenda, the MBA was able to influence the public policy debate. This was accomplished through an intense advocacy campaign that involved the members in meetings with the Prime Minister and key government officials. MBA members appeared on the TV program “Ask the Government.” This campaign included policy forums, roundtable discussions, meetings with the media and academia.

The results of the MBA Advocacy Campaign so far have been:

- The Minister of Finance declared in 2004 that the employer tax will be reduced by 10% (this is the first reduction of the taxes and contributions after 24 years). This decision is being now implemented by the Government;
- The GoM adopted part of the MBA’s Business Agenda in its Economic Reform Agenda.
- The MBA has been asked by the Minister of Finance and the Deputy Prime Minister of Economy to establish a Public/Private Partnership to work on tax reductions for the business community;
- A 5% increase concession was granted to private wood processing companies. For the first time in Montenegro’s history, the private sector managed to get regulatory concessions;
- The MBA recommendations to the Commission on Economic Freedom for the reduction of corporate tax were accepted.

*(Building the Capacity of Business Membership Organizations World Bank 2005 Page 91)*
CASE STUDY: CHANGING THE BUSINESS ENVIRONMENT IN ROMANIA

Romania went through a painful transition from communist regime to democratic society and market economy. The Romanian business community faced a hostile business environment in general and a chaotic fiscal system that was suffocating the emerging private sector. Members of the business community organized into independent business associations which then formed an alliance, the Strategic Alliance of Business Associations (SABA), in order to speak with one voice and have a better chance of participating in policymaking.

SABA initiated an open dialogue between the Romanian business community and the president. It followed a six-point action plan:
1. Establish the organizational framework for dialogue with decision makers;
2. Identify the problems common to private entrepreneurs;
3. Gather information on the business environment;
4. Develop strategies and programs;
5. Disseminate and communicate recommended reform policies within the business associations and mobilize them for advocacy;
6. Evaluate the efficiency of the dialogue between the private and public sectors.

These actions resulted in several key business environment improvements.
- Development of the country’s code of corporate governance
- Creation of a non-partisan, public-private Commission for the Improvement of the Business Environment, which drafted and advocated for a modern, Tax Code.
- Confidence between members of the public and private sectors was built.
- Government representatives resumed the dialogue after the 2000 elections and used a similar model to overcome challenges related to the Romania’s accession to the EU.

(Building the Capacity of Business Membership Organizations World Bank 2005 Page 93)

CASE STUDY: HEARTLAND INTERNATIONAL: SBA FORMATION IN EAST TIMOR

This project managed by Heartland International a U.S. based firm with funding from the U.S. State Department combined a simple business skills training programme (based on the ILO’s SYB materials) with the formation of a village based entrepreneur association.

One of the key objectives was to facilitate attitude change (i.e. enterprise culture) by creating an association which required specific membership responsibilities. These in several respects mirrored the responsibilities of an entrepreneur (e.g. in the management of time and contractual relationships with suppliers). This effectively helped build a new kind of local institution which was not automatically inclusive (like the family, village and parish with which they were familiar) but required basic competencies in business and had specific membership obligations which had to be met within tighter time lines than the ordinary reciprocal processes of the village.

The outcome was a smaller but committed group, the formation of new businesses and standing in the eyes of the town mayor and the district authorities.
CASE STUDY: SIYB ASSOCIATION SRI LANKA:
USING SBA CAPACITY BUILDING TOOLS TO DIAGNOSE WEAKNESSES

The Sri Lanka SIYB Association was formed as a mechanism to ensure sustainability of a programme (2001-2004) funded by Sida, which introduced the ILO’s Business Skills Training Programme Start and Improve Your Business (SIYB) into Sri Lanka. The principal stakeholders of the Programme namely the Partner Organizations and the Master Trainers make up the membership of the Association whose task it is to ensure the continued promotion of the programme, and maintain the technical standards of the training materials and the trainers. The Association holds from the ILO the copyright for printing and sale of materials within Sri Lanka. During the life of the donor funded project several models for programme sustainability were explored but the formation of an Association was felt to be the most suitable. Before the end of project funding a Business Plan was drawn up, together with a constitution. An office was established and staff employed.

In late 2005 it was felt by the Board, staff and trainer-members of the Association that considerable communication problems had arisen. The solution to these was to hold a capacity building workshop based on the ILO’s SBA training programme. A diagnostic approach was followed in which the three different interest groups (Association Staff, Partner Organizations and Master Trainers and Trainers) caucused to identify lacks of capacity in the Association as seen each from their perspective). This permitted a starting point for a “symptom and cause” problem diagnosis. Lack of participation by Partner Organizations was one of the presenting problems in the diagnosis, which led firstly to a focus on the responsibilities that members of the Association and in particular members of the Association Board should discharge as conditions of membership.

A review of the constitution and the need for greater awareness-raising about the constitution was seen as a longer term solution, while in the short term it was seen that more active Partner Organization involvement was required. The fact that it had not been forthcoming was seen to stem from the view by the Partner Organizations that the project had already been going for four years and did not need their hands on attention. The perception that the Association was reasonably well advanced in its life cycle was wrongly held, since it had only been going for one year as an autonomous agency without international technical leadership and funding. Furthermore the business plan developed in 2003-4 was predicated on a growth in BDS market awareness: namely the growing understanding in Sri Lanka that quality courses such as SIYB were to be provided for a fee (albeit with some subsidies for poorer participants) and not for free.

However at the end of 2004 the Tsunami had led to an inflow of US$2billion of international aid which effectively put the clock back as far as BDS market awareness was concerned. Many training courses and livelihood reconstruction programmes were being provided free, and the personnel who made good SIYB trainers and who had earlier been motivated to create a business for themselves in providing this training were now being recruited by aid agencies on better salaries to administer the post Tsunami reconstruction projects. A Review of the Business Plan was launched as a result of this workshop.
6. DONOR & TECHNICAL AGENCY POLICY ON SBAs

6.1 Different Perspectives

The donor view seems to stretch between two poles: the first follows classic BDS market philosophy and would avoid funding BMOs because of their essential fragility, poor management capacity, tendency to rent-seeking, corruption and the danger of an organization being hijacked by a party political process or personality. The preference is to operate solely through commercial service providers. This view can be reinforced by the position that member-driven business association can only be a feasible model for large enterprises, and points to the longevity of Chambers of Commerce and Employers Organizations and the brief lives of most SBAs.

The other end of the spectrum is where donors believe in supporting individual BMOs because of the significant flow-on effects for strengthening the rest of the private sector. However this is done only with a number of conditions:

- While initial subsidies are necessary to build up the skill base and provide services of sufficient quantity and quality these services must in the medium to longer term become sustainable from fee or subscription income.
- After that point it is possible -- again with clear conditions -- for a donor to fund one-off private sector development projects through the BMO as long as the BMO does not become dependent on funding core services from the income it may receive through administering the programme.
- Things work best when the programme is generated by local stakeholders in the business community, rather than the donor or Government, leading to a proposal from the BMO as the basis of contractual arrangements (in relation to the BMO’s transparency, management capacity and self funding strategies).
- There should not be micro-management from the donor side, but rather rigorous consultative evaluation on at least a 6 monthly basis with flexible adjustment to objectives and strategies.

6.2 Culture Conflict

It is not surprising that BMO’s experience a range of difficulties. The Western model of an autonomous democratic member-driven organization independent of government – like many other elements of the democratic enterprise systems that are explicitly or implicitly encouraged as the solution to poverty in the developing world, is built on very different principles from those that frequently underpin the practice of leadership in the developing country. Trying to impose practices that are not supported by the necessary attitude change will lead to local BMO leaders so to speak, maintaining “two sets of books” i.e. going through some of the motions of democratic association accountability to please the donors, while perhaps maintaining less accountable practices that “work” in the political culture in which the leader has to operate and making use of opportunities both political and economic that the donor intervention may unwittingly facilitate for the leader and associated networks.

15 These weaknesses are acknowledged equally by donors that are positive towards BMOs such as the World Bank: “BMOs in developing countries are typically characterized by poor organizational capacity and technical skills, lack of proper accounting systems and governance, and lack of demand-driven orientation resulting in low levels of sustainability.” World Bank op. cit. page 9.
Supporting a member driven business association differs from other development interventions which involve the more technical transfer of business skills or financing mechanisms. Running an MBO touches on basic issues of authority, social standing, decision-making, group solidarity, individual motivation etc all elements which govern how human beings mobilize themselves for social, economic and political purposes. These are the stuff of culture and people take time to change their cultures even if they are persuaded to do so. Development projects should not be planned within what may seem reasonable time lines for change in a Western context but not necessarily in a developing country. That said “sensitivity to the cultural and social context must not be mistaken for tolerance towards collusive behaviour or cronyism”\(^{16}\).

### 6.3 Successful Approaches

Perhaps the difficulty here for both perspectives is that interventions targeting a single BMO may be encouraging it in one direction while the cultural and institutional framework it operates in locally may be steering it in another\(^ {17}\).

The solution that may be most relevant is to take a holistic approach and choose to support BMO development where there is an environment conducive to some convergence of economic, cultural and institutional change or to work with local partners to create such an environment.

#### 6.3.1 Local Economic Development (LED)

There is considerable literature on LED\(^ {18}\) strategies. In many LED programmes BMOs either act as a LEDA (Local Economic Development Agency), the central agency which acts to co-ordinate the programme, or as one of its partners.

Important here too is a consideration of the South European models of LED. The Italian (TERRITORIAL PACTS, and EMPLOYMENT PACTS) and the French LEADER models bring together all the stakeholders of local economic development of which one or several SBAs are frequently key players.

#### 6.3.2 Integrated Projects

Currently two projects run by the ILO in ENTER GROWTH in Sri Lanka and PRISED in Vietnam respectively are bringing together a number of development tools and mechanisms including SBAs with the overall aim of making markets work better for the poor. This paper examines one year: 2005-6 of the ENTER GROWTH project.

The ENTER GROWTH Project: Micro and Small Enterprise Development for Pro-Poor Growth in Sri Lanka is located in the North-West and North-Central Provinces of the country. They are not part of the conflicted territory in the North East but have for twenty years become the refuge for inhabitants fleeing from that area.

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\(^{16}\) World Bank op. cit. page 30

\(^{17}\) “A country’s political, economic, and social conditions define the limits of the scope of BMO development. The most important factors are the strength and structure of the private sector, general economic policies, the degree of decentralization, cultural traditions, and the legal framework. In this context, donors may be of great help by lobbying for a conducive environment in which BMOs can better operate”. World Bank op. cit. page 9

\(^{18}\) For the ILO experience and manuals refer to publications listed at www.ilo.org/led
What follows is a summary of the original vision and strategy of the project and the place of SBAs in it, and then a summary of the impact of the project in its first year up to July 2006. The information is derived from the Project’s own reporting, the editing and emphases however are those of the author of this paper.

**Project Vision and Strategy 2005**

Basing itself on the Government’s own White Paper on SME development the project used extensive participative planning approaches and focussed on sub-sectors with a high potential for growth and poverty reduction to expand the access of micro and small enterprises to markets for their products and services through building a more effective market for business services that enable enterprises to improve their productivity, and responsiveness to existing and new markets.

The project saw itself as promoting the better mobilization of micro and small enterprises and building the capacity of business associations to serve their members, which would in turn permit better dialogue between micro and small enterprises and the authorities This would allow greater SME support for specific policy and regulatory improvements, and so strengthen the authorities’ hands in facilitating an enabling business environment.

Many of the problems were identified in the initial consultations with micro and small entrepreneurs, business associations and chambers of commerce and industry, development banks, provincial and district authorities and in an additional survey of some 200 rural micro enterprises (to ensure that this less vocal group was also heard). The problems were related to weak infrastructure (poor roads, frequent power cuts, weak communications) which were causing production disturbances for existing MSEs, such as rice millers, maintenance workshops, and construction firms. One aim of the programme was -- through building capacity in SBAs -- to strengthen the influence that MSEs have on public investment decisions.

During the consultations it was also clear that lack of market access and the related problems of access to technology and product quality were substantial bottlenecks to MSE development. Nor was the policy and regulatory environment seen to be conducive to it. MSE support and promotion was not part of development planning. Officers in charge of issuing licenses and registrations were seen to have a legalistic rather than a proactive approach to issues facing SMEs. This situation was seen to be partly due to the lack of dialogue between provincial and district authorities on the one hand and the business community on the other. There had been no regular platform for consultations on MSE issues. A District Coordination Committee existed but involved only public sector agencies.

It was seen that civil servants were not trained in developmental issues nor encouraged to take them into account in decision-making. The Chambers of commerce also had been slow to work with MSEs or help them organize. There was little cooperation between chambers and MSE associations, which might have given more organised voice to MSE issues and problems at local level. So the project’s intention was to raise awareness among MSEs and civil servants that closer cooperation and better organisation would benefit the local economy.
The MSEs in the targeted districts had mostly been working without significant networks in terms of membership in business associations or through cooperation with other enterprises in value chains or even with business development service providers. Most had established their business on rather rudimentary mechanical and service skills, worked with fairly simple technologies, employing mainly the entrepreneur her/himself and family members, with low productivity and profitability. Low productivity was linked to low quality of employment in the enterprises, especially in terms of occupational safety and health, job security, health insurance, and quality of human resource management. Moreover, market liberalisation had meant that local MSE products had to compete with imported goods that were often cheaper and of higher quality. Markets for MSEs were therefore limited. In addition, linkages between rural producers and MSEs on the one hand, and urban centres and markets were weak.

MSEs themselves generally ranked the high interest rates and the limited availability of capital as the most important obstacle to growth. A contributing factor to this was that land could seldom be used as collateral. The process of land title registration was complex, and formal possession could often not be substantiated by possession of the formal deed. Likewise, allocation of new land for commercial purposes was slow and affected by corruption and political considerations. The process would take years and the applications were often unsuccessful.

At the national level, the policy, regulatory and institutional environment was itself a constraint on MSE development. Over-regulation (including with regard to labour legislation) results in unnecessary delays and a high cost of compliance. Above all there had been a lack of overall policy and strategy, to guide the range of institutions that aim to promote MSEs. These included 18 central level Ministries that are directly concerned, 50 statutory bodies, Regional Development Ministries, Provincial Councils, at least 300 business development services providers, a large number of Chambers of Commerce and Industry, and at least 6 major development agencies.

The Government’s Draft SME White Paper aimed at providing a framework for coordination and convergence in this complex environment, with the ultimate goal of addressing the the needs of small enterprises more effectively. It recommended the establishment of an autonomous SME Authority and suggested a number of measures to develop a more commercial market for business services. Changes to this situation were envisaged but, as always, the implementation of new policies and public service structures at the provincial and district level was where changes were most needed.

Significant support had already been provided by other donors to strengthen private sector representative organisations, especially the Federation of Chambers of Commerce and Industry of Sri Lanka and some of the district chambers. Sida support through the Federation provided assistance to member chambers in institutional and human resources development, equipment and finance for key staff. Similar assistance was planned under a project, also with the Federation, of the Handwerkskammer Hannover. However, Chambers of Commerce and Industry under the Federation mainly represented the “larger small” and medium-size enterprises, and there was little support to the formation and strengthening of associations of micro and small businesses.
One project -- a GTZ project in the Central Province -- had taken a more integrated approach to MSE development at provincial level. Besides strengthening representative organisations, it had begun a dialogue between private sector and provincial authorities to achieve concrete improvements in the business environment.

Overall the role of representative organisations and dialogue between authorities and the small enterprise sector had not been the focus of earlier donor projects. Hence the aim of the ILO project was to address “capacity building of local institutions to:

- Promote the establishment of new groups by women and men, initially around a defined common goal e.g. access to new markets, and then further develop them into representative groups, in collaboration with district Chambers.
- Build on existing informal groupings and cooperatives to develop representative associations.
- Carry out organisational strengthening of existing small business associations, through training and make them more inclusive, especially of women.
- Promote increased participation of MSEs in district Chambers of Commerce”.

At the outset the District Chambers of Commerce and Industry showed interest in playing a role in organising MSEs, either independently or by including them among their membership, and the project intended to closely collaborate with them to do so.

The main steps of the project in this direction were to:

- Support the MSE forums in organising ‘MSE policy days’, to showcase the role of MSEs in the districts and allow the women and men owning MSEs to present their view on priorities in the policy, legislative and regulatory environment. This was seen as a first opportunity for most MSEs to enter into a direct dialogue with authorities. Help would be given to the MSEs in presenting their views by conducting focus groups before the ‘policy days’.

- Support authorities and MSE representatives to conduct business climate surveys, to complement the results of the ‘policy days’. The focus would also be on enterprises in more isolated areas, which normally would have less opportunity to participate in such forums.

- Conduct separate consultations with women’s organisations.

- Conduct awareness workshops for authorities, and MSE owners and workers on the role of representative organisations and develop ideas for more permanent mechanisms for consultation and dialogue.

- Support the MSE forums in holding ‘small enterprise dialogue days’, when the results of the business climate surveys and awareness workshops would be fed back to the participants and plans made to make the MSE forums more permanent, perhaps as advisor bodies to the District Coordinating Committees.

- A cross cutting theme also in all these discussions was to be the potential gap, and even conflict, between modern enterprise culture based on individual advancement and traditional cultural values of affiliation and social cohesion.
THE LOCA CONSULTATIVE PROCESS

In the first year of the project a consultative process called LOCA (Local Competitive Advantage) was used. This uncovered many issues but interestingly the policy and regulatory environment did not emerge as strong a concern as had been expected a year earlier. In one consultation designed specifically to isolate regulatory constraint, significant issues were identified in several sub-sectors, but in some others regulation did not prove to be a concern at all. Overall, the project’s conclusion was that there was scope for improvement, but that for most MSEs the regulatory environment is not an obvious constraint. Most enterprises simply did not interact with Government, and therefore did not experience problems even if outside observers could see the connections.

DOMINANCE OF THE INFORMAL ECONOMY

One reason that MSEs did not see the need to interact with the Government was that such contact could expose them to taxation, without getting anything in return. In addition, although the registration and licensing requirements were cumbersome, they were also not strictly enforced, so de facto there were no penalties either. Most MSEs in fact had very little knowledge about registration and other regulatory requirements.

All this means not that the business environment is “liberal” because enterprises do not experience Government interference, but that there is a very large informal economy. Informal MSEs are unable to benefit from certain services, cannot sign legally binding contracts, and are likely to provide jobs of lower quality. This limits their potential to grow. From the Government’s point of view, they operate outside the law and do not contribute to tax revenues or therefore the development of the country. Informality points to an environment that cannot be considered enabling.

As envisaged a year earlier, the project supported the establishment of MSE Forums in each district, bringing together representatives of the Government, the private sector and NGOs. These forums played the key role foreseen in the original project document, guiding and supporting project implementation, and more broadly facilitating “local economic development through MSE development”.

RESOLVED ISSUES

All four forums developed their own action plan (with facilitation from the project), earlier than foreseen in the project document. Policy and regulatory issues that had been identified through the LOCA process were brought to the Forums’ attention and many were addressed with some planned eventually to be brought to national level.

The LOCA exercises succeeded on a number of fronts:

1. They brought stakeholders from different sectors together in a joint activity, often for the first time. It proved to be an excellent mechanism to promote dialogue, and trust, helping stakeholders define their needs, develop solutions and implement them.
2. The first five LOCAs resulted in immediate action to remove some of the constraints that had been identified\textsuperscript{19}.

3. A number of Associations were formed by the MSEs that were brought together by LOCA exercises\textsuperscript{20}.

4. The LOCAs also identified concrete policy and regulatory issues, which were taken up with the MSE Forums\textsuperscript{21}.

UNRESOLVED ISSUES

Despite these successes, however, other issues remain unresolved.

The project has prioritized a number of them as important and having a reasonable chance to be resolved. Most need further investigation. Some have been solved in one District but not in others. Others will need to be brought to the national level.

They are as follows:

- 75\% of businesses unregistered through lack of awareness or obvious benefits.
- Uneven implementation of regulations, resulting from ill-informed officials

\textsuperscript{19} Light engineering workshops in Nagensahira Nuwaragam Palatha had no access to discarded leaf springs of Government buses and trucks, which are a cheap source of metal. Such springs could not be sold. This was solved through intervention of the Industrial Development Board.

In Hingurakgoda the Minneriya tank was being depleted of fish because young fish were being caught prematurely. The catch was no longer sufficient to sustain the livelihoods of the fishermen around the tank. The fishermen agreed to all use nets with a larger mesh size, so that only mature fish would be caught. This was successfully implemented.

In Kurunegala, anthurium growers were not producing in sufficient quantities to export directly. As a result of the LOCA, the Export Development Board and the 12 Botanical Gardens supported a study on how to expand capacity of existing growers to export and improve quality for the local market so far. The EDB began discussions to link these groups to two buyers.

The LOCA in Hingurangoda made the Chamber of Commerce realize the extent of the market for ornamental plants and flowers, which were sold through wholesalers and retailers in other parts of the country. They are now promoting this as a business opportunity to others in the District.

In Hingurangoda the Chamber of Commerce arranged two training workshops for ornamental fish breeders, another important opening in this District. A bank is to provide loans to breeders who in turn have formed a new Association.

There were inadequacies in providing information, instructions, certification and seeds to seed paddy farmers in Hingurangoda. The Ministry of Agriculture in Polonnaruwa has addressed this.

\textsuperscript{20} These were the Association of Hingurakgoda Colour Fish Growers, the Association of Hingurakgoda Seed Paddy Growers, a Poultry Association in Nagensahira Nuwaragam Palatha, a cooperative of leafy vegetable growers in Arachikuttawa, and associations of light engineering enterprises, home-based garment producers and brick makers in Lankapura. In Pollonaruwa, the Chamber plays a role in this. In Kurunegala, three separate Associations of anthurium growers joined forces in the project to expand production of these flowers for direct export.

21 In Pallama, there was a regulation against mining clay, aimed at protecting this scarce resource from being depleted by bricks and tiles production. Following a LOCA the District Secretary made an exception for small-scale traditional potters, so they can continue their craft. They have been allowed to mine 2 cubic meters a month, which has little impact on the environment.

In Hingurangoda (and elsewhere in the country) the shortage of high yield cattle breeds is the main cause of low milk production, while demand is very high. This is linked to the Government having a monopoly on the import of semen and artificial insemination. Government vets can serve only a few. The LOCA contributed to a decision to train local people on artificial insemination and to provide this for a fee.

In North-Central province the Provincial Government turned down requests to convert paddy land into tanks for ornamental fish breeding. Now the Chief Secretary has agreed to consider such requests case by case on their individual merits.
• Widespread lack of information about regulations and inefficient procedures in some sub-sectors like food processing
• An apparent Government monopoly on artificial insemination is in place.
• In one city (Anuradhapura) much visited by tourists tickets to archaeological sites have a one day limit, which results in shorter stays by tourists.
• Inconsistencies in issuing timber permits, including for importing equipment
• Procedures for obtaining land title deeds in two local towns including some 84 different steps. The project considers progress will be difficult on this issue but has included it because it is such an important obstacle to development.

The project has considered using the “Nucleus” approach being promoted by several GTZ projects, whereby MSEs are provided with funds for joint activities if they form groups, and Chambers are capacitated (and funded) to facilitate this. It is the intention (and often happens) that such groups become member of the Chamber. It was decided not to adopt this approach since it appears to be very subsidy-driven. Even if many groups survive the phasing out of subsidies, the project believes that associations forming because of shared interests and problems rather than for funds is more in line with local economic development principles and has a better chance to help local MSEs break out of a culture of dependency. In addition, the project would not have the funds to support a nucleus approach.

Comment: Several things emerge from this brief view of one integrated project:

• One-off events (the LOCA forums) which demonstrate the value of co-operation and achieve advocacy results, lead to groups initiating associations to maintain the demonstrated good effects of representative advocacy.

• Inter-related capacity building of groups of SBAs, larger traditional BMOs such as Chambers and the Government agencies themselves seems to have an exponential effect, reinforcing (and in some case creating from scratch) a number of the key groupings and agencies that constitute the “institutional ecology” necessary for the survival of SBAs.

• Improvement in the business environment on some issues (e.g. quality standards or environmental safeguards) can be facilitated through self regulation and co-operation within an industry via such forums and associations without the need for government regulation.

• This project throughout has placed considerable importance on understanding local cultural attitudes and their potential clash with introduced commercial and governance systems.
6.3.3 Public Private Dialogue

The current emphasis on public private dialogue reinforces the importance of representative organizations for SMEs.

In early 2006 a meeting of donors and technical agencies in Paris agreed to a PPD Charter of Principles. Several of these have relevance to BMOs and SBAs.\textsuperscript{22}

The Charter makes the key point that improvements in the business environment will be more effective when the intended beneficiaries of these reforms are involved in “diagnostics, solution design, implementation and monitoring”

This represents an important expansion of the work to use the private rather than the public sector as the engine of poverty alleviation. There had been a danger in that earlier approach to leave governments out of the equation altogether, and yet their role to facilitate the private sector by making their own sector private-sector-friendly especially for SMEs is crucial.

The Charter seeks to have balanced and effective participation by all stakeholders in the local private sector, and recognizes that this may need to be achieved by working with informal as well as formal structures, but ensuring that everyone can see who else is involved so as to reduce distrust that secret cabals are really dictating the agenda of reform. At the same time credible leaders need to be identified and involved for the whole process to be credible to as many groupings and interests as possible.

The Principles call for the language of discussion needs to be clear and accessible and presumably both simple and sufficiently nuanced i.e. not too much “bureaucratspeak” and sensitivity to discourse that signals inclusion or exclusion of particular people and their concerns. Relevant means of communication are also necessary which may include: the mass media itself, informal information networks and opinion formation, and events such as roadshows or workshops.

Detailed reform work may need to be done sectorally but there needs to be overall organization to ensure a harmony in policy changes.

Information deficits by particular groups need to be identified and remedied in lead-ups to meetings, and care taken when framing reform objectives to avoid misunderstanding, but to understand and care for fears and past histories of miscommunication.

The Charter takes an important step in recognizing the significance of public-private for SMEs and micro-entrepreneurs taking place at the “the most local possible level”, especially as this is likely to be more practically capable of involving micro-entrepreneurs SMEs and other local stakeholders. The timing of consultations could be more effective if linked to corresponding activity at provincial district and national level, especially if the local people observe their own inputs progressing to such levels.

\textsuperscript{22} particularly Principles 2, 3, 6, 7, and 9 (refer Appendix III).
The Charter also confronts a dilemma of working with industry sectors that are already motivated to engage in reform and are willing to invest time and resources rather than those that are not so motivated, but at the same time to take steps to avoid the leaders of strong sectors using such occasions for their own advantage and to encourage sectors that may be weaker because of inbuilt difficulties in mobilizing themselves.

While donors and technical agencies have still to decide how to advance these principles and which methods to use to deliver and monitor this dialogue, it is clear that it will demand very different approaches, skilled facilitators and finely balanced processes. In all of this in PPD, as with LED projects, representative associations are needed as the voice of voice of micro and small entrepreneurs as well as continued capacity in BMOs at higher levels.

Elements of successful in the PPD experience of DfID the OECD and World Bank was noted at the Paris Conference:

- Identifying and enhancing the “pockets of capability in the public sector”, with blockages often coming from middle-level officials even when there is support from the top.

- The importance of donors playing a facilitating role (through providing funds to build local capacity), but not a dominating one.

- The importance of the cultural context

- The question of who is best to facilitate the dialogue whether the Government or a more neutral agency.

- The need to involve civil society organizations

- Dialogue working best when it is ad hoc, flexible and inclusive, having a limited, concrete agenda, with time-bound discussions addressing specific issues.

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23 A World Bank view presented at the Paris Conference was that one to three years would be a reasonable time to accomplish capacity-building, and that one indicator of success would be when governments invite BMOs to have input to the drafting of relevant legislation.

24 Nicolas Pinaud presenting the results of the OECD Development Centre’s research at the Paris Conference pointed to the need for an organized private sector with strong representative business associations with analytical capacity, and for credible champions for the process as well as competent and “embedded” bureaucrats.
7. CONCLUSIONS

7.1 CAPACITY BUILDING

SMEs in developing countries can overcome the essential fragility of their small operations through combining in a representative member-driven organization which may be classified as an entrepreneur or business association as a trade or industry sector association or as women’s association with the orientation to providing support to members’ business objectives.

This association enables them to support each other, provide information and a variety of services to their members, and to lobby authorities to change elements of the business environment which affect them adversely and inequitably. However to do this effectively often requires new and unfamiliar skills: governance, member participation, service quality, financial competence and skills of communication including use of the media and working with other actors in the local economy particularly government authorities.

Before an SBA can become a reliable partner with the policy makers in charge of the business environment they must win credibility both as service and representation providers to their members and – consequently – the ability to “deliver” the views of their members to the authorities and to deliver the agreement of their members to the authorities. This frequently requires campaigns to bring discipline ethical standards and basic reliability among their members. Training in “how to be a partner: in a public private dialogue or in a local economic development strategy is part of general advocacy skills.

The authorities should be encouraged to ensure SBA training packages and trained facilitators are available. By the same token the authorities need to ensure their own staff is trained to see part of their public service work as facilitating the private sector facilitators. It is in the interests of these authorities that they have reliable channels to and from SMEs but this may require new and -- for many – unfamiliar skills of communication and an attitude of partnership rather than control. Reform of the Business Environment may well start with Reform of the Public Service.

Business associations act as facilitators of the formal or organized economy. While governments’ interest in encouraging informal enterprises to migrate to the formal economy can be seen as one of tax collection and imposition of laws, associations of entrepreneurs clearly enjoying social prestige political influence and economic success have less of that image (albeit that they will collect dues and set quality standards). The services that business associations can deliver to their members can lessen the costs of government agencies providing the same or similar services.

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25 Refer Business associations and the mass media: working for mutual benefit A case study Commissioned by ILO FIT SEMA, Uganda Barry Armstrong January 2005
7.2 INSTITUTIONAL ECOLOGY

It is also for SMEs a matter of whether they can be adequately represented by a free standing association whether industry or general business-based, or whether they can join directly or indirectly a BMO that represents and is perhaps mainly controlled by larger enterprises.

Employer Organizations and Chambers of Commerce (of the anglophone model) could be encouraged to apply corporate social responsibility towards dealing with the issues of SME membership or liaison with and support for separate SME associations. This could be part of the conditions attached by Governments to the special status they are accorded or as a condition for support programmes from donors.

Among SMEs, and more especially MSEs, entrepreneurs will often develop business linkages as a part of more embracing family, village, cultural or religious institutions. The wider demands of these institutions may limit the business effectiveness of these linkages, but it is the starting point for many micro-entrepreneurs. Donors and technical agencies should think laterally when involving various types of organizations, formal and informal, in consultation processes.

7.3 CULTURAL CHANGE

The question of whether the SBA and BMO is a western model that cannot be easily imposed on other cultures deserves more reflection. The cultural differences should not be underestimated but nor likewise should the lesson of culture contact that people will adopt imported practices very much from their own logic and when they see their own interests being better served. But it takes time, and it needs to be done slowly because it is often not a question of acquiring new skills, or just reading a governance handbook, but changing internalized responses that have taken generations to embed.

The problems for donors include whether the changes in culture (decision-making, authority, patterns of motivation and co-operation) take too long and are easily derailed before they can demonstrate effectiveness of BMOs, and to decide which practices that are carry-overs from other ways of operating should be tolerated and which undermine progress to mutually agreed goals of good governance.

The answer may be the adoption of the Local Economic Development approach where each LED strategy approaches its catchment area seeking to find the appropriate agency to act as the catalyst for the LED consultation. This may be a BMO, an NGO, or a municipality. The determinant is that it carries out or has the potential to -- an effective role in co-ordination and communication. Similarly the role that ideally may be played by an SBA may in fact be being carried out by other groupings and it is these that should be supported by programmes of capacity building which will add more effective SBA functions.

The approach may be to equip well trained facilitators to operate within a given region or sector, and give them a wide brief to work with the representational leadership wherever it emerges, offering governance and management skills to help what is already there to evolve further.
APPENDIX I: CASE STUDIES OF IMPACT OF SMALL BUSINESS ASSOCIATIONS IN SRI LANKA AND NEPAL.

1. Sri Lanka

1.1. All Island Three-Wheeler Drivers’ Welfare Association

The All Island Three-Wheeler Drivers’ Welfare Association was established in 2002. This service was first introduced to Sri Lanka in 1978 but took a long time for the public to accept it as an alternative mode of transport. Three-wheelers now account for nearly 25% of the entire vehicle population in Sri Lanka and they are the most sought after public transport system mainly by lower and middle income groups. It is an attractive self employment opportunity that provides a great deal of freedom to entrepreneurs.

However the three-wheeler drivers originally had a bad reputation, lacking discipline and respect for law and social conventions. This affected their lobbying abilities with local transport authorities. The Association undertook a programme to change the behavioral pattern of its membership and to improve its credibility.

One step was to introduce a dress code: “Not the colour but the collar” They had to wear shirts with collars and to choose a variety of colours (to avoid identification with the single coloured T shirts of the supporters of the main political parties). No shorts and bath-room slippers were allowed and they had to wear either trousers or sarongs and at least some decent slippers as footwear.

Public perception improved and the result has been a number of measures to improve both to remove impediments to business viability of these micro-entrepreneurs and to improve public trust and use of the transport system. This has resulted in lobbying success as follows:

- Removal of VAT (Value Added Tax) on lease payments of 3-wheelers purchased before 2004.
- Removal of import duty of LPG conversion kits & arranging loan facilities under concessionary rates.
- Successfully lobbying against the banning the import of 2-stroke three-wheelers in 2003.
- Increase of parking lots from 177 to 227 in Colombo.

In early 2004, association was able to demonstrate its strength by organizing a national convention with the participation of over 5000 drivers.
1.2. Sri Lanka Mould & Die Making Association

The Sri Lanka Mould & Die Making Association” was established in August 2005 and has 30 members, mostly operating in and around Colombo half of which are small enterprises. In 2002, according to the custom records, around Rs 735 million worth of moulds, dies and other related items and accessories were imported to Sri Lanka mainly from Singapore, Hong Kong and Taiwan. Present demand is met by around 75% imports and only 25% is locally made.

Unlike other hardware materials, hardware suppliers do not keep stock of mould & die materials, as only mould & die makers need them. These are not fast moving items and also comparatively expensive. As there is no high demand, high freight charges have to be paid for smaller consignments. This means that selling mould and die materials is not a viable business for general hardware dealers. There are other restrictions for the import of certain materials (Electro Discharge Oil) as they are categorized as dangerous goods. The end result is that many customers depend on imported moulds and dies mostly due to the price competitiveness though the local industry has the know-how, skills and the capacity to meet the entire local demand.

The association was formed to seek State and other international development agencies’ support to establish a material bank worth around Rs 50 million for the benefit of the mould & die makers in order to meet the entire local demand. The German Technical Corporation (GTZ) and the Ceylon Chamber of Commerce facilitated the formation of the association. After forming the association, it was possible for them to have a joint trade fair in Colombo to collectively demonstrate their capabilities to the existing and prospective customers. With these developments, members now work in collaboration by sharing orders, exchange of knowledge, etc. rather than competing and undercutting each other that have been the practice before. Now with the assistance of GTZ, association is in the process of preparing a five year development plan for the industry and a proposal for the Government support to establish a material bank worth around Rs 50 million.

1.3. Street Vendors Association in Thissamaharama

A group of vendors had been making a living selling various items (handicrafts, snacks, herbal drinks, toys, local fruits and sweets, etc.) to devotees of ‘Kirinda’ Buddhist Temple in area. Many live in nearby villages.

The vendors were under threat of losing market share to outside vendors. They had difficulty getting trade licenses from the local authority, and there was some evidence of dishonest practices and behaviour by some of their number.

They decided they needed to protect their market by obtaining trade licenses form the local authority and to do this they moved to establish permanent stalls and a system of disciplining members. The Association was able to enforce standards of membership and establish a public image of ethical trade practices, ensuring among other things security arrangements for the vehicles of temple visitors. With this good reputation they were granted trade licences by the Local Authorities.
The Association regulates the entry of new vendors to their market place. New members are accepted once a year through a vote taken at the annual general meeting. A new comer has to get 2/3rd of votes to become a member. The credentials of new applicants are thoroughly assessed and only if the market is big enough to share with others, association decides to accept new members. Due to the financial support from the association, members can fulfil their urgent financial needs to a greater extent and hence do not have to rely on exploiting moneylenders.

It is recognized that without the standard setting and enforcement by the association they would not have won the respect of the authorities who now seem them as an important part of the local economy.

1.4. Thissamaharama Trade Association

The entrepreneurs in Thissamaharama established their Trade Association in 1999. Currently it has 225 registered members. The association invited the branches of national level institutes operating in the area such as banks, insurance, leasing and finance companies, etc. and also many state sector service providing organizations to join as corporate members.

Due to the representation of significant commercial entities a number of local infrastructure and regulatory changes were achieved notably an improvement in the electricity supply, the provision of concessionary telecommunication services, settling of environmental protection issues and improved police protection and security in the city.
2 Nepal

2.1 Kathmandu Small Entrepreneurs Association

The Association was formed out of a situation where the street vendors were facing harassment from police and municipal officers. The association was formed with 1351 members -- female and male in almost equal numbers. They are registered in CDO (chief District Office) and with Social Welfare Council of Nepal and pay Nrs. 400000 per month for renting the place from the social welfare council. However they have not registered their businesses under the Cottage and Small Industry legislation of Nepal, and are informal businesses despite operating in the same place for 13 years. The association formed a viable financial cooperative which provides loans to members in good standing. They have developed a code of professional conduct and have published it as a hand book which is distributed to the members. They levy members Nrs.10 per month from 1351 members.

Their main advocacy campaign is to the local government to have the Social Welfare Council provide the basic necessities (drinking water, Toilet, Proper roofing, Iron framing) in the property they are renting each month. To date they have paid the Social welfare council an amount of Nrs.70000000 (seven crore).

However they refuse to register their businesses and wish to stay in the informal sector. They argue that since the Social welfare Council takes so much money from them in the form of rent and provides only substandard and unhygienic accommodation they see no point in registering their businesses and paying tax to get nothing in return.

They decline to join umbrella organizations like the Federation of Nepali Chambers of Commerce and Industry (FNCCI), or trade unions. They view these associations as having political motives and once they enter any of these Unions, conflict will arise between the members. They would rather build trust and solidarity among themselves. They believe they should have a 1/3 of their total budget financed by the Government so they can operate more efficient services to members. The other 2/3 they are confident they can raise themselves.

However they fear that the Government may take action against them as an unregistered association of unregistered businesses. As they depend mostly on Chinese and Indian products (clothes, shoes, accessories, and electronic items) the political conflict within the country and in neighbouring countries affects them badly.

2.2 Nepal Lok Dohari Association (NLDA)

This is an association of restaurants serving Nepali, Indian and Chinese food with the live performing of Nepali songs and dance. The problem here is that some restaurants allow sexual contact between patrons and some of the women working in the restaurant. The Association has been formed to clean up the industry and win credibility to improve their standing with local government.
APPENDIX II: SURVEY OF ISSUES RAISED WITH LOCAL AUTHORITIES BY 24 BUSINESS ASSOCIATIONS IN SRI LANKA

Results of a base-line survey of 24 Business associations in four provinces of Sri Lanka in January 2006: Kurunegala, Puttalam, Anuradhapura and Polonnaruwa districts. Most of these associations comprise entrepreneurs of all business sizes, not only smaller businesses. More than half have very poor or marginalized entrepreneurs among their members, and could therefore contribute directly to poverty reduction. About half of the associations are sector-specific. Rural entrepreneurs are largely under-represented and only five associations out of 24 are doing something to increase the share of their members from rural areas, most considering that they do not need to do so or that it is not important. Only a few associations have farmers and potential or existing entrepreneurs who are internally displaced persons (IDP) among their members. Single-ethnic composition and ethnic under-representation of most SBAs is notable and none of the associations are taking action to tackle ethnic imbalance. 14 have less than 20% women among their members, while 4, at the other extreme, comprise more than 95% of women. The large majority (18 out of 24) are not taking action towards greater gender representation in their membership.

<table>
<thead>
<tr>
<th>When you meet local authorities, what do you discuss with them?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business issues. Rules and regulations about agricultural lands, Marketing etc.</td>
</tr>
<tr>
<td>Buildings and support needed to run our programmes</td>
</tr>
<tr>
<td>Government regulations; how to change traditional thinking</td>
</tr>
<tr>
<td>Increases in tax and rates</td>
</tr>
<tr>
<td>Banking issues, labour laws</td>
</tr>
<tr>
<td>Urban development plan, infrastructure development, beggars roaming streets</td>
</tr>
<tr>
<td>Cleaning up the town, water problems, housing problems</td>
</tr>
<tr>
<td>Support for entertainment programmes; welfare needs of members</td>
</tr>
<tr>
<td>Increasing training and loan programs in villages where there are no programs; identifying and linking with markets.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>What was the result of those discussions in 2005?</th>
</tr>
</thead>
<tbody>
<tr>
<td>By communicating with the National Skills Council, training programs were launched in the handicraft industry; and links were made to new buyers</td>
</tr>
<tr>
<td>The Association managed to change the ideas of the provincial tourist board</td>
</tr>
<tr>
<td>Concessions were gained from banks, and the government</td>
</tr>
<tr>
<td>Theatre and concerts were organized and they were supported to organize a procession</td>
</tr>
<tr>
<td>Infrastructure development including the development of drainage system</td>
</tr>
<tr>
<td>Greater helpful ness of officials</td>
</tr>
<tr>
<td>Provided transport for firewood for bakery owners; signed agreement on controlling product prices; linked to new buyers through the Technical Development Board</td>
</tr>
<tr>
<td>Provision of technical knowledge, skills training and credit facilities.</td>
</tr>
<tr>
<td>Agricultural land problems were solved</td>
</tr>
<tr>
<td>We were stopped when we tried to oust unauthorised businessmen</td>
</tr>
<tr>
<td>Nothing changed</td>
</tr>
<tr>
<td>Three main issues affecting business members that the association has taken up or would like to take up with authorities</td>
</tr>
<tr>
<td>---------------------------------------------------</td>
</tr>
<tr>
<td>Business registration</td>
</tr>
<tr>
<td>Agricultural lands</td>
</tr>
<tr>
<td>Permanent tenure of business premises</td>
</tr>
<tr>
<td>Extend the duration of tourist passes</td>
</tr>
<tr>
<td>Tax and Rate Increases</td>
</tr>
<tr>
<td>Security</td>
</tr>
<tr>
<td>Providing support to new entrepreneurs</td>
</tr>
<tr>
<td>Business Skills training</td>
</tr>
<tr>
<td>Training in pricing products</td>
</tr>
<tr>
<td>Locating markets</td>
</tr>
<tr>
<td>Problems with the reservoir</td>
</tr>
<tr>
<td>Awareness of new products</td>
</tr>
<tr>
<td>Still not decided/ Nothing special / No problem (3 answers)</td>
</tr>
<tr>
<td>To solve the issues of the members the support of the officials is not required much</td>
</tr>
<tr>
<td>Acquiring media equipment</td>
</tr>
<tr>
<td>Getting more central government attention to the town</td>
</tr>
<tr>
<td>Issues relating to fish sales</td>
</tr>
<tr>
<td>Lack of investments</td>
</tr>
<tr>
<td>Legal and financial issues on business</td>
</tr>
<tr>
<td>Production and quality have to be increased</td>
</tr>
<tr>
<td>Provide credit facilities</td>
</tr>
<tr>
<td>Provide free stalls in the exhibition</td>
</tr>
<tr>
<td>Scarcity of lands</td>
</tr>
<tr>
<td>Special trainings on accounting</td>
</tr>
<tr>
<td>Infrastructure facilities of business areas</td>
</tr>
<tr>
<td>Poverty of the fisheries community</td>
</tr>
<tr>
<td>Access to steady Market</td>
</tr>
<tr>
<td>Free advertising</td>
</tr>
<tr>
<td>Getting more attention from Sri Lanka tourist board to our District</td>
</tr>
<tr>
<td>Provide knowledge on new technologies</td>
</tr>
<tr>
<td>Provide new technological knowledge to journalists</td>
</tr>
<tr>
<td>Rules and regulations on business</td>
</tr>
<tr>
<td>To directly connect the suppliers and buyers</td>
</tr>
<tr>
<td>Training programmes for business owners</td>
</tr>
<tr>
<td>Improved Transport facilities</td>
</tr>
<tr>
<td>Welfare issues</td>
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</tbody>
</table>
APPENDIX III: CHARTER OF PRINCIPLES FOR PUBLIC PRIVATE DIALOGUE (EXTRACTS)

PPD Charter

"Reforms designed to improve the business climate are more effective when dialogue between the public and private sectors involves the ultimate beneficiaries of those reforms in diagnostics, solution design, implementation and monitoring"

PRINCIPLE II: STRUCTURE AND PARTICIPATION

PPD’s structure should be manageable while flexible, enable participation to be both balanced and effective, and reflect the local private sector context.

• Appropriate structures can be formal, informal or a mixture. Their design needs to take into account existing processes and institutions.
• Participation of relevant representative stakeholders should be agreed on in a transparent manner and be balanced and practicable, so as to best serve the objectives of the dialogue.
• Dialogue structures can be set up to carry out specific participatory processes in a series of working groups, for example to contribute to the elaboration of reform strategies for specific sectors, issues or regional areas.
• An organizational design operated under the umbrella of a secretariat is often useful to help ensure a coherent approach to public-private dialogue, including the shaping of an overarching policy framework.

PRINCIPLE III: CHAMPIONS

It is difficult to sustain dialogue without champions from both the public and private sectors, who invest in the process and drive it forward.

• Backing the right champions is the most important part of outside support to PPD.
• It is easier for dialogue to survive weakness of champions in the private sector than the public sector.
• If champions are too strong, the agenda can become too narrowly focused, or dialogue can come to depend too heavily on individuals.

PRINCIPLE VI: OUTREACH AND COMMUNICATIONS

Enabling communication of a shared vision and understanding through the development of a common language is essential for building trust among stakeholders.

• Common communication requires a mutual understanding of core motivation, which depends on frequent and iterative interactions between all parties.
• Dialogue should be as open-access and broadly inclusive as feasible. This necessitates an outreach program to the reform constituency. Elements can include media, seminars, workshops, and road shows.
• This also necessitates attention to building the capacity of the private sector to participate in dialogue to achieve a concerted strategy to communicate reform issues through clear and targeted messages.
• Transparency of process—in particular, an open approach towards the media—is essential

PRINCIPLE VIII: SUB-NATIONAL

Public-private dialogue is desirable at all levels of decision-making down to the most local possible level, as this is likely to be more practically capable of involving micro-entrepreneurs SMEs and other local stakeholders.

• Local level public-private dialogue allows local issues and solutions to be identified and taken to decentralized decision-makers or channelled upwards to the appropriate level of authority at which they can be solved.
• Local dialogue can contribute to effective implementation of national policies. It may be particularly effective when explicitly aligned with dialogue taking place at national or regional level.
• Local level dialogues can especially benefit from use of participatory tools, capacity building initiatives, and the use of local and neutral facilitators.

PRINCIPLE IX: SECTOR-SPECIFIC

Sector-specific issue-specific public-private dialogues should be encouraged because they provide more focus, greater incentive to collaborate, and more opportunity for action.

• To tackle the risk of missing the big picture sector-specific dialogues linked to a broader, cross-cutting dialogue
• The choice of sectors to involve in dialogue can be controversial, especially where institutions are weak. This can be mitigated by a transparent process.
• Dialogue works best with the sectors most willing to invest time and resources – though this requires safeguards against unfairly favouring already-strong sectors.
• Rent-seeking activity is more of a risk in sector-specific dialogue.
• This can be mitigated by greater transparency, explicit enunciation of intended outcomes, and an inclusive approach that creates open access for all stakeholders with an interest in the sector’s or cluster’s value chain.
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